R I S K   M A N A G E M E N T   D I V I S I O N

LOSS PREVENTION

Summer 2005

SPOTLIGHT

A publication focusing on loss prevention information from the Risk Management Division of Washington State's Office of Fianancial Management

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RISK MANAGEMENT: MISSION AND PRIORITY AT DEPARTMENT OF ECOLOGY

The Department of Ecology was created July 1, 1970, and is celebrating a 35-year anniversary in 2005—the same as the Department of Social and Health Services. Ecology's sixth director (1988-1992) and now Washington Governor, Christine Gregoire, led the agency in its mission to protect and preserve Washington's environment. She addressed risk management issues as director, as Washington's Attorney General, and continues to address them as Governor.

Protection, preservation and prevention are familiar terms to Ecology in both agency mission and emphasis on risk management. That philosophy permeates throughout the agency and transcends to a higher level of commitment to managing risk by all Ecology employees. Agency risk manager Larry Keller, describes it as the "Ecology family" effect.

That's not to say that Ecology hasn't experienced loss or doesn't have significant risk potential to manage. "We are an agency of approximately 1,500 employees who work in a geographical environment that involves volcanoes, earthquakes, dams, occasional severe storms, and more," said Mr. Keller. In 1985 an Ecology employee died when he fell through duct work while conducting an industrial plant air quality inspection. A couple of years ago a Washington Conservation Corps employee died while performing tree planting work adjacent to I-5. These tragic losses serve as an ever present reminder of why Ecology is continually vigilant about protecting its "family". In turn the Ecology "family" is equally dedicated to protecting the environment. "You can do everything correctly, but you could be a traffic cone away from a fatality," said Mr. Keller pointing out that risk is always present. In spite of these very tragic events, the Department of Ecology has the distinction of consistently having the lowest workers' compensation experience factor (indicator for the number of workplace accidents resulting in claims), not only for all state government agencies, but for all employers that insure with L&I.

Ecology Youth Corps pick up litter along a Washington highway.

Ecology's experience on the property side of risk, includes a May 1999 arson fire that damaged the headquarters office. Fortunately, the perpetrator was caught, but the $1.2 million loss created havoc and disruption to agency operations until repairs were completed. Like other agencies, Ecology suffered some loss from the 6.8 Nisqually earthquake in 2001. They also suffered a $100,000 loss at their Spokane office due to a broken water pipe.

(cont. on page 2)

Sharpen Your Insurance WORD POWER!

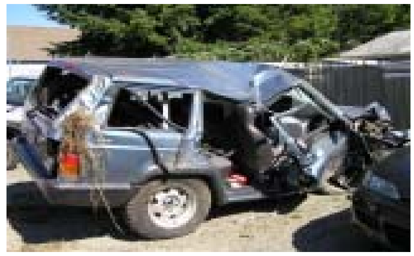
Are insurance terms confusing? Do you see or hear about them in your daily work and wonder what certain terms mean? The Risk Management Division once again offers a simple way to bone up on your "insurance-ese" with definitions of common insurance terms.

- *CRIME INSURANCE/EMPLOYEE DISHONESTY INSURANCE* – Insurance that covers the insured business for money or other loss due to dishonest acts of its employees. Dishonest acts such as larceny, theft, embezzlement, and forgery are covered.
- *WRAP UP INSURANCE/CONSOLIDATED INSURANCE PROGRAM* – A centralized insurance program for large projects (commonly construction projects), which one party (usually the owner) procures insurance on behalf of all the other parties.
- *ACTUAL CASH VALUE (ACV)* – ACV is used to calculate value in property and auto insurance losses. ACV = replacement value less depreciation.
- *REPLACEMENT VALUE* – The cost it takes to replace damaged or destroyed property with like kind and quality. Replacement value differs from Actual Cash Value in the sense that no depreciation is taken.
- *ENDORSEMENT* – An addendum to an insurance policy that changes the original policy provisions. Endorsements may serve any number of functions such as broadening the coverage, adding parties to the policy, or adding locations for property coverage.

RISK MANAGEMENT: MISSION AND PRIORITY DOE *(cont. from page 1)*

Just recently, Ecology experienced property loss in their Yakima regional office when an unusually quick but heavy rain storm created a "flash flood", resulting in water intrusion to a facility they also shared with other state agencies. Damage to furniture, records, and other Ecology property could have been worse, but did not exceed the $10,000 range.

Mr. Keller places Ecology's risk in three major categories: (1) environmental operations; (2) agency management (employment practices); and (3) vehicle liability. The third category is a risk area he watches carefully, pointing out that the agency has over 360 vehicles traveling to every corner of the state. They travel over mountains, to farms, to beaches and bodies of water, and of course, they frequently travel the traffic intense I-5 corridor.



An Ecology loss that resulted when the driver (only six weeks on the job) left the roadway, rolling the state vehicle several times, hitting a tree and injuring the passenger.

Ecology crew clean-up of a drug lab dump site.

To meet all of its risk challenges, Ecology has assembled a dedicated risk management team that includes Mr. Keller who is located in administrative services and manages the "tort liability" side of risk, and *Janet Hyre* and *Rodger Sesna* in employee services, who manage the employee safety and health program. Due to their sizeable and extensively mobile vehicle fleet, another important player on the risk management team is agency transportation officer Sarah Barrie. Ms. Barrie is also a certified instructor and coordinator for the agency defensive driver training program. This risk/safety/transportation team meets on a monthly basis to review vehicle incidents and accidents that occur at Ecology. "Our goal is to learn from our experiences—and reduce the frequency in the future", said Mr. Keller. An active and aggressive vehicle maintenance program is also credited with minimizing vehicle risk. Another strategy for managing risk is to use available resources. "I am a great "fan" of OFM's Risk Management Division and all the services offered. We aren't experts on everything,whether its risk management or sustainability, so we use the services of those who can provide more information," said Mr. Keller. He pointed to the loss history reports provided by RMD as an example. "They help my agency spot trends so we know where to target our emphasis," said Mr. Keller.

> *"Our goal is to learn from our experiences-and reduce the frequency in the future."*

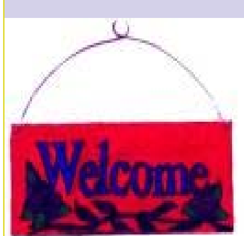
Another important risk management strategy is bringing risk management to the field locations. Our vulnerability is statewide. Training, education, and knowing what is happening statewide are crucial," said Mr. Keller. In addition, Ecology actively involves its managers in tort litigation. "We play an active role at the table with our Assistant Attorneys' General," said Mr. Keller.

Because Ecology operations involve the use of automobiles, boats, float planes, and instrument-outfitted "dune buggies" for coast erosion control (not to mention jet skis), the potential for risk is high and protection of people (both employees and citizens) is an intrinsic priority for the agency. That is where the "family" type approach comes in. "We want an employee, when confronted with a situation, to ask the question of themselves—this doesn't feel comfortable—what do I need to do to protect myself or others. Do I need to bring it to my manager or risk management's attention," said Mr. Keller. Using the "collective knowledge" approach—that includes involvement of all Ecology employees—positions the agency to proactively prevent something negative from happening.

FAST FACT

Actual tort claim indemnity payments for FY 2005 (28.6 million) were 48% below the projection by the actuary. The estimated indemnity for open liability tort claims on 6/30/2005 was 21% below the actuarial projections.

RMD Welcomes New Program Coordinator and Information Analyst



The Risk Management Division (RMD) welcomed Joan Mackey on June 20, 2005, who assumed the role of Program Coordinator and Information Analyst. She is responsible for project and data management for the new Risk Management Information System (RMIS). In this role, Joan will act as primary product manager for the development of the new claims management, loss prevention and content management system.

Joan graduated from TESC in 2002 with a B.A. in Information Technology and Organizational Management related studies. Joan was a long-time employee of the Attorney General's Office, having worked numerous positions (from Legal Secretary to IT Project Office) in the Torts, Criminal Justice, Administration and Information Services Divisions.

Joan is married, has two grown sons, and loves movies, esoteric pop culture, reading, skiing and traveling. Please stop by RMD and meet Joan or contact her at 360-902-0528 or joan.mackey@ofm.wa.gov.